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Mr Dale Wang
Adviser, Listings Compliance
ASX

By email: ListingsComplianceMelbourne@asx.com.au

24 August 2023

Dear Mr Wang

Response to ASX's Aware Letter dated 21 August 2023

I refer to the above letter and provide GUD's response to your questions regarding the following GUD announcements released to the ASX on 15 August 2023:

- the announcement titled "Annual Results Full Year Report 30 June 2023";
- the announcement titled "ASX Release Results for the full year ended 30 June 2023"; and
- the announcement titled "Year Ended 30 June 2023 Results Briefing and Webcast",

(collectively referred to as the 'FY23 Results Announcements' or 'Information'). Your questions are set out in *italics* for convenience.

1. *Notwithstanding the market's expectation in relation to GUD's FY23 results, does GUD consider the Information (or any part of it) to be information that a reasonable person would expect to have a material effect on the price or value of its securities*

- Yes, the Information is price-sensitive.

2. *When did GUD first become aware of the Information?*

- The FY23 full year results were finally approved by the Board, and the auditor gave its sign off, on the morning of 15 August 2023, the day on which the FY23 Results Announcements were announced to the market.

3. *If the answer to question 1 is "no", please advise the basis for that view.*

N/A

4. *Does GUD consider that its results as disclosed in the FY23 Results Announcements and copied in paragraph B above, differed materially from the market expectations of the relevant measure of GUD's earnings for FY23, having regard to the following three base indicators which may have informed such market expectations (in decreasing order of relevance and reliability):*

4.1 *If GUD had published earnings guidance for FY23, that guidance.*

4.2 If GUD is covered by sell-side analysts, the earnings forecasts of those analysts for the relevant reporting period.

4.3 If paragraphs 4.1 and 4.2 are not applicable, GUD's earnings for the prior corresponding period, being the financial year ended 30 June 2022.

In answering this question, please note that in ASX's view the outlook statements provided by GUD in its HY Announcement and FY23 Results Announcements do not constitute published earnings guidance for the purposes of section 7.3 of GN8.

- GUD does not consider that its results disclosed in the FY23 Results Announcements differed materially from the market's expectations of the relevant measure of GUD's earnings for FY23, having regard to the earnings forecasts of sell-side analysts for FY23.

5. Please explain the basis for the view provided in response to question 4. In doing so, please specify how GUD determined market expectations of each relevant measure of its earnings for FY23, including:

5.1 If GUD had published earnings guidance for FY23, details of that guidance and when it was released to the market.

5.2 If GUD used sell-side analyst forecasts to estimate the market expectations of the relevant measure of its earnings for the relevant reporting period, details of the method that GUD used to translate sell-side analyst forecasts into its estimate of such market expectations and, in particular, whether or not GUD used a "consensus estimate" or an "adjusted consensus estimate" or a different specified approach for determining this estimate.

In answering this question, please note that in ASX's view the outlook statements provided by GUD in its HY Announcement and FY23 Results Announcements do not constitute published earnings guidance for the purposes of section 7.3 of GN8.

- GUD uses sell-side analyst forecasts to estimate market expectations of its earnings for the relevant financial period. GUD's estimate of analyst consensus is based on the arithmetic average of the forecasts published by reputable sell-side analysts who report on GUD. GUD includes analysts' most recent reports (rather than assuming the Reuters or Bloomberg data sets are complete or up to date) and excludes any analyst forecasts it considers to be out of date (for example, if they don't incorporate recent market sensitive announcements). GUD believes that this approach reflects the market's expectations.
- GUD conducts a comparison of its expected results against consensus expectations at least monthly.

6. Does GUD consider that, at any point in time in the period between the release of its HY Announcement and the release of the Information, the difference between:

6.1 GUD's expected earnings; and

6.2 market expectations of its earnings for FY23,

(the 'Variance') was of such a magnitude that a reasonable person would expect information about the Variance to have a material effect on the price or value of GUD's securities?

- No, GUD does not consider that at any time between the release of GUD's half year results on 15 February 2023 and the announcement of its full year results on 15 August 2023, there was a Variance which was of a magnitude that a reasonable person would expect information about the Variance to have a material effect on the price or value of GUD's shares.
- Throughout that period, GUD remained of the view that its expectations of its FY23 earnings were not materially different from the consensus expectations of analysts.
- At no time did GUD believe that its FY23 earnings would be a "surprise" to the market when GUD's full year results were announced; nor does GUD believe that there was, in fact, a "surprise" to the market when its full year earnings were announced.

7. If the answer to question 6 is "no", please provide the basis of that view.

- As you describe in your letter, GUD had announced at its half year results that it remained focused on achieving a Net Debt/Underlying EBITDA ratio of 2x by 30 June 2023. Throughout the period between 15 February 2023 and 15 August 2023, GUD continued to believe that it would achieve this target, and did achieve it, as per the full year results announcement. (For clarity, both the expectation and the actual achievement did not take into account the Davey sale.)
- As you describe in your letter, GUD had announced at its half year results that it expected that just over half of APG's FY23 underlying EBITA would be achieved during the second half, given the anticipated second half increase in APG earnings. Throughout the period between 15 February 2023 and 15 August 2023, GUD continued to monitor analysts' earnings forecasts, comparing them against GUD's internal forecasts. The FY23 full year actual results were materially consistent with both these internal and external expectations. For example, the reported Underlying EBITA and statutory NPAT in GUD's full financial year results for the period ending 30 June 2023 were each within 2% of the analyst consensus forecasts as at 13 June 2023.
- The market is aware that during the FY22 financial year, GUD made 2 acquisitions which together almost doubled its size. Accordingly both GUD's expected full year results and analysts' consensus expected FY23 full year results included very significant increases in Group revenue, NPAT and EBITA.
- On 7 August 2023 (being approximately a week before its scheduled full year results announcement), GUD announced to the ASX that it had entered into an agreement to sell its Davey Water Products business with settlement in September 2023.

8. *If the answer to question 6 is “yes”, when did GUD first become aware of the Variance?*

N/A

9. *If the answer to questions 4 and 6 is “yes” and GUD first became aware of the Variance before 15 August 2023, did GUD make any announcement prior to that date which disclosed information in relation to the Variance? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe GUD was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps GUD took to ensure that the information was released promptly and without delay.*

N/A

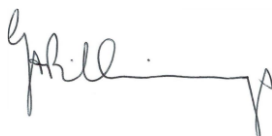
10. *Please confirm that GUD is complying with the Listing Rules and, in particular, Listing Rule 3.1.*

- We confirm that GUD is complying with the Listing Rules and in particular with Listing Rule 3.1.

11. *Please confirm that GUD’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of GUD with delegated authority from the board to respond to ASX on disclosure matters*

- This response letter has been approved by GUD’s Chair and its Managing Director & CEO.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Graeme Billings', with a long horizontal flourish extending to the right.

Graeme Billings

Chair of the Board of Directors



21 August 2023

Reference: 78188

Ms Anne Mustow
Company Secretary & General Counsel
GUD Holdings Limited
29 Taras Avenue
Altona North VIC 3025

By email: annem@gud.com.au

Dear Ms Mustow

GUD Holdings Limited ('GUD'): General – Aware Query

ASX refers to the following:

- A. The GUD announcement titled “Results Briefing and Webcast” released on ASX Market Announcements Platform ('MAP') pre-market open on 15 February 2023 (the 'HY Announcement'), which included the following outlook statements:

APG – positive outlook as sales normalise towards higher historic volumes

- GUD remains confident in APG's ability to deliver its business case targets as OEM supply normalises
- OEM order backlogs remain at record levels
- Favourable mix trends are expected to continue in H2
- APG is well positioned to capitalise on unmet demand and market share opportunities as competitors struggle with operational challenges
- **APG is on track to deliver circa 55% of FY23 underlying EBITA¹ in H2 in line with plan, assuming no deterioration in vehicle supply**

Automotive (ex APG) – continued resilience expected as car parc ages

- The auto aftermarket is expected to remain robust in H2 and GUD believes its growing portfolio is in a strong position to continue to leverage domestic momentum
- Further disciplined investment planned in H2 to capitalise on the medium-term organic opportunities presented by the prospective offshore markets
- Margins will continue to be managed in response to inflationary pressures

Group remains focused on target of reducing Net Debt/Underlying EBITDA² to circa 2x by 30 June 2023

- Cash conversion expected to improve in H2 as safety stock levels normalise
- Circa \$20m inventory reduction expected in H2

- B. The following GUD announcements, all released pre-market open on MAP on 15 August 2023:

- the announcement titled “Annual Results Full Year Report 30 June 2023”;
- the announcement titled “ASX Release Results for the full year ended 30 June 2023”; and
- the announcement titled “Year Ended 30 June 2023 Results Briefing and Webcast”,

(collectively referred to as, the 'FY23 Results Announcements' or 'Information'), in which GUD disclosed (amongst other things) that:

- its key FY23 financial results (and relevant footnotes) as follows:

Financial overview

\$M	FY23	FY22	Change
Revenue	1036.9	826.8	25.4%
Statutory NPAT	98.6	28.0	251.8%
Underlying NPATA ¹	118.7	89.3	32.9%
Underlying EBITA ¹	191.1	150.5	27.0%
Underlying EBITA margin	18.4%	18.2%	0.2 pps
Underlying organic EBITA ²	160.3	150.5	6.5%
Cash Conversion ³	113.3%	78.7%	34.6 pps
Net Debt/Adjusted EBITDA ⁴	2.0x	2.4x	(0.4x)
Cents	FY23	FY22	Change
EPS (Basic)	70.0	23.5	198.2%
Underlying EPSA ¹	84.3	74.8	12.7%
DPS (full year)	39.0	39.0	0.0%

Global notes: FY22 financials have been restated to exclude discontinued operations (CSM) - refer to note 7 in Appendix 4E. Small differences due to rounding. 1. Underlying NPATA, underlying EBITA and underlying EPSA are non-IFRS, unaudited and exclude (non-cash) acquisition-related inventory step ups and significant items outlined in note 7 of Appendix 4E. 2. Organic excludes an incremental 5 months of Vision X and 6 months of APG in FY23 (\$30.8m in EBITA). 3. Refer to slide 27 of the investor presentation for cash conversion calculation. 4. Refer to slide 28 of the investor presentation for Net debt/Adjusted (bank covenant) EBITDA calculation.

Results from operations	Change to/from \$'000 prior year			\$'000
Revenue	Up	210,129	to	1,036,900
Profit from continuing operations, net of income tax	Up	70,581	to	98,617
Reported operating profit from continuing operations before interest and tax	Up	83,869	to	162,348
Add back: impairment, restructuring and transaction costs, before tax				3,698
Underlying profit from continuing operations before interest and tax ¹	Up	34,621	to	166,046
Add back: Acquisition related inventory step up				3,532
Add back: Amortisation				21,516
Underlying profit from continuing operations before interest, tax, acquisition related inventory step up and amortisation ¹	Up	40,624	to	191,094
Reported net profit from continuing operations for the period attributable to members	Up	70,581	to	98,617
Add back: Restructuring and transaction costs and acquisition related inventory step up, after tax				3,772
Underlying profit from continuing operations after tax attributable to members ¹	Up	68,454	to	103,687
Operating cash flows	Up	114,091	to	206,147

1. Underlying profit after tax and underlying profit before interest and tax are non-IFRS measures that have not been subject to audit or review. "Underlying" results represent reported results adjusted for significant items.

Earnings per Share (EPS)	Year ended 30 June	
	2023 Cents per share	2022 Cents per share
Earnings per share from continuing operations:		
Basic EPS	70.0	23.5
Diluted EPS	69.3	23.3
Underlying basic EPS ¹	73.6	67.9
Underlying diluted EPS ¹	72.9	67.4

1. Underlying basic EPS and underlying diluted EPS are non-IFRS measures that have not been subject to audit or review. "Underlying" results represent reported results adjusted for significant items.

- its FY23 financial overview (page 10 of the "Annual Results Full Year Report 30 June 2023") which sets out comments on the statutory results and the underlying operating results of GUD as follows:

“Total Group revenue from continuing operations increased 25% on prior year to \$1,037 million, inclusive of acquisitions. The sales result includes a full year of revenue from the Vision X and APG acquisitions.”

“The Group reported a net profit after tax from continuing operations (NPAT) of \$98.6 million, an increase of 252%, and Reported EBIT of \$162.3 million, an increase of 107%...”

“Excluding the noted inventory revaluation impacts, amortisation and significant items, the Underlying Earnings Before Interest, Tax and Amortisation (underlying EBITA) increased 27% to \$191 million and Underlying NPATA increased by 33% to \$118.7 million.”

“Reported Net Cash Flow from operating activities was \$206.1 million, an increase of 124% on the \$92.1 million reported in FY22. A cash conversion result of 113% was achieved compared to 79% in the prior year reflecting inventory reductions achieved over the full year as a result of normalisation of global supply chains and more reliable sea freight and port clearance times.”

- its FY24 outlook statements (page 4 of the “ASX Release Results for the full year ended 30 June 2023”):

APG – positive outlook as sales and vehicle supply improves through FY24

- OEM order backlogs remain at significantly elevated levels
- Signs of improving OEM supply into Q1 FY24, including APG Top 20, but supply is not expected to return to normal levels until late FY24
- GUD remains confident in APG’s ability to deliver its business case targets when OEM supply constraints and mix (APG Top 20) normalise
- Expecting further revenue and EBITA growth in FY24

Automotive (ex APG) – continued resilience and re-investment

- The Auto aftermarket is expected to remain robust in FY24 given further aging of the car parc, new product development and margin management activities
- Further disciplined investment (total of c.\$6m opex and \$1m in capex) in FY24:
 - Projecta (power management) launch in US and Europe
 - BWI’s organic specialist lighting entrance into new markets
 - Infinitiv Hybrid, PHEV, and Electric Vehicle battery repair program

GUD Group

- FY24 cash conversion expected to revert to 85-90% given the strong organic growth aspirations/greenfield opportunities and seasonally lower H1 cash conversion (reflecting usual NWC pattern)
- Core currencies approximately 80% hedged in H1 (USD, Thai Baht, NZD, KRW)
- Further step up in Corporate expected in FY24 (+\$1.5m) reflecting full year run rate of incremental resources to support the larger Group and growth aspirations
- Margins will continue to be managed in response to inflationary pressures
- The Group looks forward to providing further commentary at the AGM on 26 October 2023

C. The increase in the price of GUD’s shares by 14.9% on 15 August 2023, from its previous closing price of \$10.22 to a closing price of \$11.74.

D. GUD target price raised by various brokers following the release of the Information on MAP, including:

- GUD target price raised 18% to \$13.04 per share by Wilsons;
- GUD target price raised 4.0% to \$13.30 per share by Citi;
- GUD target price raised 21% to \$14.25 per share by Macquarie; and

- GUD target price raised 25% to \$13.10 per share by UBS.
- E. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- F. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:
- "an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information."*
- G. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.
- "3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*
- 3.1A.1 One or more of the following applies:*
- *It would be a breach of a law to disclose the information;*
 - *The information concerns an incomplete proposal or negotiation;*
 - *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
 - *The information is generated for the internal management purposes of the entity; or*
 - *The information is a trade secret; and*
- 3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*
- 3.1A.3 A reasonable person would not expect the information to be disclosed."*
- H. ASX's policy position on "market sensitive earnings surprises", which is detailed in section 7.3 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B ('GN8')*. In particular, the Guidance Note (relevantly) states that:
- "An earnings surprise will need to be disclosed to the market under Listing Rule 3.1 if it is market sensitive – that is, it is of such a magnitude that a reasonable person would expect information about the earnings surprise to have a material effect on the price or value of the entity's securities."*
- "Where an entity does not have published earnings guidance on foot for the current reporting period and it is covered by sell-side analysts, ASX would recommend that the entity carefully consider notifying the market of a potential earnings surprise if and when it expects there to be a 15% or greater difference between its actual or projected earnings for the period and its best estimate of the market's expectations for its earnings."*

Request for information

Having regard to the above, ASX asks GUD to respond separately to each of the following questions and requests for information:

-
1. Notwithstanding the market's expectation in relation to GUD's FY23 results, does GUD consider the Information (or any part of it) to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
 2. When did GUD first become aware of the Information?
 3. If the answer to question 1 is "no", please advise the basis for that view.
 4. Does GUD consider that its results as disclosed in the FY23 Results Announcements and copied in paragraph B above, differed materially from the market expectations of the relevant measure of GUD's earnings for FY23, having regard to the following three base indicators which may have informed such market expectations (in decreasing order of relevance and reliability):
 - 4.1 If GUD had published earnings guidance for FY23, that guidance.
 - 4.2 If GUD is covered by sell-side analysts, the earnings forecasts of those analysts for the relevant reporting period.
 - 4.3 If paragraphs 4.1 and 4.2 are not applicable, GUD's earnings for the prior corresponding period, being the financial year ended 30 June 2022.

In answering this question, please note that in ASX's view the outlook statements provided by GUD in its HY Announcement and FY23 Results Announcements do not constitute published earnings guidance for the purposes of section 7.3 of GN8.

5. Please explain the basis for the view provided in response to question 4. In doing so, please specify how GUD determined market expectations of each relevant measure of its earnings for FY23, including:
 - 5.1 If GUD had published earnings guidance for FY23, details of that guidance and when it was released to the market.
 - 5.2 If GUD used sell-side analyst forecasts to estimate the market expectations of the relevant measure of its earnings for the relevant reporting period, details of the method that GUD used to translate sell-side analyst forecasts into its estimate of such market expectations and, in particular, whether or not GUD used a "consensus estimate" or an "adjusted consensus estimate" or a different specified approach for determining this estimate.

In answering this question, please note that in ASX's view the outlook statements provided by GUD in its HY Announcement and FY23 Results Announcements do not constitute published earnings guidance for the purposes of section 7.3 of GN8.

6. Does GUD consider that, at any point in time in the period between the release of its HY Announcement and the release of the Information, the difference between:
 - 6.1 GUD's expected earnings; and
 - 6.2 market expectations of its earnings for FY23,(the 'Variance') was of such a magnitude that a reasonable person would expect information about the Variance to have a material effect on the price or value of GUD's securities?
7. If the answer to question 6 is "no", please provide the basis of that view.
8. If the answer to question 6 is "yes", when did GUD first become aware of the Variance?
9. If the answer to questions 4 and 6 is "yes" and GUD first became aware of the Variance before 15 August 2023, did GUD make any announcement prior to that date which disclosed information in relation to the Variance? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe GUD was obliged to release the

information under Listing Rules 3.1 and 3.1A and what steps GUD took to ensure that the information was released promptly and without delay.

10. Please confirm that GUD is complying with the Listing Rules and, in particular, Listing Rule 3.1.
11. Please confirm that GUD's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of GUD with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM AEST Thursday, 24 August 2023**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, GUD's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require GUD to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsComplianceMelbourne@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in GUD's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in GUD's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to GUD's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that GUD's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

ASX reserves the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Dale Wang
Adviser, Listings Compliance